

## Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 EB-11 TRSE-00 SSO-00 NSCE-00

INRE-00 SS-20 PM-07 L-03 NSC-07 CIAE-00 INR-10

NSAE-00 RSC-01 DODE-00 PRS-01 SAJ-01 OMB-01 SCI-06

AEC-11 AECE-00 COME-00 ACDA-19 DRC-01 /125 W

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O R 101630Z APR 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 1711

INFO USMISSION NATO BRUSSELS

CINCUSAREUR HEIDELBERG

CINCUSAFE RAMSTEIN

CINCEUR VAIHINGEN

C O N F I D E N T I A L BONN 05806

DEPARTMENT PASS TREASURY AND DOD IMMEDIATE

E.O. 11652: GDS

TAGS: EFIN, GW

SUBJECT: OFFSET

1. SUMMARY. FOLLOWING CONSTITUTES COMMENTS ON DETAILS OF DRAFT OFFSET AGREEMENT COMING OUT OF EXPERTS' MEETING ON APRIL 10. WE BELIEVE AGREEMENT CONSTITUTES A FAIR COMPROMISE PRESERVING ESSENTIAL US REQUIREMENTS AND REQUEST AUTHORITY TO AGREE TO IT AT EXPERTS LEVEL TOMORROW FOR SUBMISSION, AT REFERENDUM, TO GOVERNMENTS. END SUMMARY.

2. RE ARTICLE 1--MILITARY PROCUREMENT: NEW WORDING OF ARTICLE 1 (B) ELIMINATES REFERENCE TO GERMAN BUDGET CAPABILITIES AND NO LONGER CARRIES IMPLICATION THAT IT LIMITS THE OBLIGATION UNDERTAKEN IN ARTICLE 1. GERMANS ARGUE THAT THIS SHOULD BE SUFFICIENT AND DO NOT DESIRE ADDITIONAL  
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NOTATIONS IN PROTOCOL. THEY POINT OUT THAT EVEN

UNDER OLDER, MORE SWEEPING LANGUAGE OF ARTICLE 1 (B), THERE NEVER HAS BEEN ANY PROBLEM IN PAST OFFSET AGREEMENTS OF EITHER SIDE INTERPRETING THIS AS A LIMITATION ON THE OBLIGATION UNDER ARTICLE 1 (A). THE PROBLEM OF THE DM 121 MILLION EXCESS PAYMENT FROM THE LAST OFFSET AGREEMENT IS NOW ADDRESSED BY THE PROTOCOL NOTE TO ARTICLE 1 AS WELL AS THE PROTOCOL NOTE TO ARTICLE 6 WHICH SPECIFIES THAT NONE OF THE DM 121 MILLION ARE TO BE USED DURING THE FIRST YEAR COVERED BY JACKSON-NUNN.

3. RE ARTICLE 2--INVESTMENTS FOR TROOP FACILITIES: NO COMMENT.

4. RE ARTICLE 3--TAXES AND AIRPORT FEES: COMMENTS WILL BE SUBMITTED BY SEPTTEL.

5. RE ARTICLE 4--CIVIL PROCUREMENT: GERMANS ARE ADAMANTLY OPPOSED TO ESTABLISHMENT OF A SPECIAL ACCOUNT IN THE UNITED STATES TREASURY FOR THIS PURPOSE. THEY ARGUE THAT QUESTION OF A NEW SPECIAL ACCOUNT IS POLITICALLY SENSITIVE BECAUSE IT WOULD BE TAKEN BY GERMAN PARLIAMENT AS INDICATION THAT FEDERAL REPUBLIC IS COMMITTING ITSELF TO MORE PROCUREMENT THAN IT ACTUALLY LIKELY TO UNDERTAKE AND THUS WOULD AGAIN RUN UP DEPOSITS IN THE US. GERMANS INDICATE THAT THEY HAVE NO GIVE ON THIS POINT. THEY ARGUE THAT OBLIGATION TO MAKE PAYMENTS DURING THE PERIOD OF THE OFFSET AGREEMENT IS CLEARLY SPELLED OUT IN ARTICLE 4 AND ARTICLE 6 NOW PROVIDES THAT ANY SHORTFALLS DURING FIRST YEAR WILL BE MADE UP THROUGH INCREASED MILITARY PROCUREMENT DURING THAT YEAR, THUS GIVING US EQUIVALENT HARD OFFSET.

6. RE ARTICLE 5--BUNDESBANK CREDITS: NO COMMENT.

7. RE ARTICLE 6--DETAILED ARRANGEMENTS: GERMANS STRESS THAT IT IS THEIR INTENTION TO FULFILL HALF OF THE AGREEMENT BY JUNE 30, 1974 AND THAT THEY WILL CONFIDENTIAL

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FULFILL THIS BY A DISPROPORTIONATE AMOUNT OF MILITARY PROCUREMENT DURING THE FIRST YEAR TO MAKE UP FOR SHORTFALLS IN URANIUM AND SCIENCE R&D. THEY ARE FIRM HOWEVER IN REJECTING A FORMAL OBLIGATION OF A EQUAL SPLIT BETWEEN THE TWO YEARS AND SAY THAT THIS WOULD GO CONTRARY TO THE AGREEMENT BETWEEN SECRETARY SHULTZ AND MINISTER SCHMIDT WHICH SPECIFICALLY PROVIDED FOR A TWO-YEAR

PERIOD FOR THE FULFILLMENT OF THE AGREEMENT.

8. RE CLOSING PARAGRAPH: GERMANS RELUCTANTLY  
AGREED TO DROPPING THE WORD QUOTE SATISFACTORY UNQUOTE  
BEFORE OFFSET.  
HILLENBRAND

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** AGREEMENT DRAFT, AGREEMENTS, URANIUM, PROCUREMENT, LANDING TAXES, TRANSPORTATION TAXES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 10 APR 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974BONN05806  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D740082-0626  
**From:** BONN  
**Handling Restrictions:** n/a  
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**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 02 APR 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <02 APR 2002 by boyleja>; APPROVED <06 JUN 2002 by golinofr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** OFFSET  
**TAGS:** EFIN, GE, US  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005